

103<sup>D</sup> CONGRESS  
2<sup>D</sup> SESSION

# H. R. 5020

To amend the Internal Revenue Code of 1986 to permit penalty-free withdrawals by unemployed individuals from certain retirement plans.

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IN THE HOUSE OF REPRESENTATIVES

AUGUST 23, 1994

Mr. LAZIO introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to permit penalty-free withdrawals by unemployed individuals from certain retirement plans.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

3       **SECTION 1. DISTRIBUTIONS FROM CERTAIN PLANS MAY BE**  
4                       **USED WITHOUT PENALTY DURING PERIODS**  
5                       **OF UNEMPLOYMENT.**

6       (a) IN GENERAL.—Paragraph (2) of section 72(t) of  
7       the Internal Revenue Code of 1986 (relating to exceptions  
8       to 10-percent additional tax on early distributions from  
9       qualified retirement plans) is amended by adding at the  
10      end the following new subparagraph:

1           “(D) DISTRIBUTIONS FROM CERTAIN  
2           PLANS DURING PERIODS OF UNEMPLOYMENT.—  
3           Distributions to an individual from an individ-  
4           ual retirement plan, or from amounts attrib-  
5           utable to employer contributions made pursuant  
6           to elective deferrals described in subparagraph  
7           (A) or (C) of section 402(g)(3) or section  
8           501(c)(18)(D)(iii), during a period—

9                   “(i) for which such individual is re-  
10                  ceiving unemployment compensation (as  
11                  defined in section 85(b)), or

12                  “(ii) for which such individual would  
13                  have been entitled to receive unemployment  
14                  compensation (as so defined) but for—

15                   “(I) the termination of the period  
16                  during which such compensation was  
17                  payable, or

18                   “(II) an exhaustion of such indi-  
19                  vidual’s rights to such compensation.

20           The preceding sentence shall apply only to the  
21           extent that the amount of the distributions dur-  
22           ing any period do not exceed the reasonable liv-  
23           ing expenses of the taxpayer for such period.”

24           (b) CONFORMING AMENDMENTS.—

1           (1) Subparagraph (B) of section 72(t)(2) of  
2       such Code is amended by striking “or (C)” and in-  
3       serting “, (C) or (D)”.

4           (2) Section 401(k)(2)(B)(i) of such Code is  
5       amended by striking “or” at the end of subclause  
6       (III), by striking “and” at the end of subclause (IV)  
7       and inserting “or”, and by inserting after subclause  
8       (IV) the following new subclause:

9                               “(V) the date on which a period  
10                              referred to in section 72(t)(2)(D) be-  
11                              gins, and”.

12          (3) Section 403(b)(11) of such Code is amend-  
13       ed by striking “or” at the end of subparagraph (A),  
14       by striking the period at the end of subparagraph  
15       (B) and inserting “, or”, and by inserting after sub-  
16       paragraph (B) the following new subparagraph:

17                           “(C) for distributions to which 72(t)(2)(D)  
18                           applies.”

19       (c) EFFECTIVE DATE.—The amendments made by  
20       this section shall apply to payments and distributions after  
21       the date of the enactment of this Act.

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